

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 EB-07 XMB-02 SP-02 AID-05 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 COME-00

AGR-05 SWF-01 L-02 CIAE-00 INR-05 NSAE-00 /065 W

----- 053656

R 130745Z DEC 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 5666

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

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DEPT PASS EXIM FOR WARREN GLICK

EO 11652: N/A

TAGS: BEXP BXIM ID

SUBJ: STATUS OF PENDING EXIM MATTERS

REF: A. JAKARTA 15002 B. JAKARTA 15003

1. SUMMARY. ECON COUNSELOR MET WITH FINANCE
DG JULIANTO DECEMBER 10 TO REVIEW STATUS VARIOUS
EXIMBANK MATTERS IN LIGHT OF UNCERTAINTIES ABOUT
SOME PENDING LOAN MATTERS. FOLLOWING REPORTS
STATUS OF GOI THINKING ON VARIOUS PROJECTS DRAWN
FROM JULIANTO AND FROM EARLIER CONVERSATION
BY COMMERICAL COUNSELOR AND EMBOFF WITH SALEH
AFIFF, INCLUDING SEVERAL QUESTIONS ON WHICH
EMBASSY WOULD APPRECIATE EARLY WASHINGTON ADVICE.
END SUMMARY

2. FOLLOWING MATTERS DISCUSSED WITH JULIANTO:
A. SALEH AFIFF VISIT TO WASHINTTON: SALEH LEFT
DECEMBER 7 FOR TEHRAN AND PARIS. ORIGINALLY
PLANNED TO GO TO WASHINGTON ON EXIM MATTERS BUT
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JULIANTO NOW QUESTIONS WHETHER HE WILL HAVE TIME.

B. POWER PROJECTS: GE REP CALLED ECON COUNCELOR
DECEMBER 10 STATING THAT PLN PRESSING URGENTLY
FOR JANUARY 1977 COMPLETION DATE ON JAKARTA INTERIM
POWER PROJECT TO PRVENT SERIOUS POWER
SHORTAGE ESTIMATED TO EMERGE THEN. GE STATES
IT MUST HAVE CONTRACT AND DOWN PAYMENT THIS MONTH
TO MEET GOI SCHEDULE. JULIANTO CONFIRMS JAKARTA
PROJECT HAS TOP POWER PRIORITY, FOLLOWED
BY MEDAN PROJECT, WITH GRESIK AND KALIMANTAN PROJECT
TIED FOR THIRD. JULIANTO ALSO CONFIRMED THAT
POWER PROEJCTS AMONG THREE TOP PRIORITY
PROJECTS OF ALL THOSE ORIGINALLY SUBMITTED TO
EXIM. WMBASSY WOULD APPRECIATE EXIM ADVISE
WHICH OF FOUR POWER APPLICATIONS REMAIN SERIOUS
PROSPECTS FOR EXIM FINANCING IN CURRENT US FY,
AND IF POSSIBLE WHETHER DECISION ON JAKARTA POWER
PROJECT REMAINS REALISTIC PROSPECT THIS MONTH.

C. GRESIK AND DREDGE PROJECTS: JULIANTO REPORTED
BASED ON TELECON WITH ADIWOSO INDONEMB DECEMBER 10,
THAT HE MUST SEND REPEAT OF EARLIER MESSAGE ASSURING
EXIM THAT GOI HAS ACCEPTED BOARD-APPROVED
TERMS THESE PROJECTS AND THAT IT HAS DROPPED ITS
COUNTERPROPOSAL. ALSO PLANS TO REAFFIRM THAT
GOI ACCEPTS EXIM CONDITION THAT RELENDING BE
AT EXIM RATE LEVEL, AND HAS CORRESPONDINGLY
ADJUSTED INTERST/FEE STRUCTURE TO MEET THIS
EXIM REQUIREMENTWT ADIWOSO INFORMED JULIANTO
SOME PROBLEM ALSO EXISTS ON QUOTE NEGATIVE PLEDGE
UNQUOTE BUT JULIANTO UNABLE UNDERSTAND SIGNIFICANCE
THIS TERM.

D. PCS FOR TIDELAND RECLAMATION EQUIPMENT:
JULIANTO AND SALEH AFIFF ADVISED BY
INDONEMB WASHINGTON THAT EXIM HAS EITHER APPROVED
OR ORALLY ASSURED APPROVAL OF PC FOR THIS PROJECT.
JULIANTO AND EMBASSY WOULD APPRECIATE OFFICIAL WORD
FROM DEPT OR EXIM ON STATUS THIS ITEM AND
PROBABLE DATE FOR BOARD CONSIDERATION IF PC NOT
YET OKAYED.

E. EXTENSION OF GRESIK AUTHORIZATION: JULIANTO
BELIEVES EXIM HAS RECEIVED AND APPROVED GOI
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REQUEST FOR EXTENSION TO PERMIT CONCLUSION OF
COMMERCIAL FINANCING ARRANGEMENTS BUT WOULD
APPRECIATE CONFIRMATION.

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F. SUGAR PROJECTS; JULIANTO HIGHLY APPRECIATIVE OF BROAD RANGE AND CUMULATING VALUE OF EXIMBANK LOAN AND PC APPROVALS FOR INDONESIA OVER RELATIVELY SHORT PERIOD SINCE CHAIRMAN CASEY'S VISIT AND REMAINS COGNIZANT OF EXIM GLOBAL LOAN CEILING AND DESIRE TO PHASE ITS FUNDING OF GOI PROJECT REQUIREMENTS OVER MULTI-YEAR PERIOD. REFERRING TO AMBITIOUS GOI PLANS FOR REGAINING SELF-SUFFICIENCY IN SUGAR PRODUCTION PROSPECTIVELY INVOLVING NUMEROUS MILLS, JULIANTO EXPLAINED GOI DESIRE TO EXPLORE ALTERNATIVE EXPORT CREDIT SOURCES. HE IDENTIFIED FRANCE; BELGIUM AND UK AS HIGHLY PROSPECTIVE SOURCES, ONE OR MORE OFFERING UP TO 80 PCT GOVERNMENT-SUPPORT CREDIT. HE ADVISED THAT GOI STILL VERY MUCH INTERESTED IN EXIM FINANCING THIS SECTOR AND IN KNOWING CAPABILITIES AND COMPETIVENESS US SUPPLIERS THIS MILLING EQUIPMENT. AT SAME TIME GOI ASSUMES FROM EXIMBANK EXPRESSION OF DESIRE FOR FEASIBILITY STUDY WHICH NOT DUE NOW UNTIL NEXT MARCH, THAT EXIM STILL CONTEMPLATES THAT IT WOULD BE SEVERAL MONTHS BEFORE DECISION ON SUGAR PROJECTS LEIKELY TO BE MADE. HOWEVER, CONFIRMATION

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OF WHAT TIMING EXIMBANK NOW FORSEES WOULD BE HELPFUL TO GOI IN PLANNING TIMING AND EXTENT ITS CONSIDERATION OF ALTERNATIVE FINANCING SOURCES. JULIANTO BELIEVES THAT GOI MAY PROCURE SOME TYPES EQUIPMENT IN US REGARDLESS OF COMPETING FINANCE AVAILABILITIES.

G. COMMERICAL FINANCING: JULIANTO CHAGRINED AT DIFFICULTIES GOI EXPERIENCING IN FIRING UP COMMERCIAL FINANCING. WHILE RESIGNED THAT GOI TIMING FOR FIRST RECOURSE TO COMMERICAL FINANCING ON LARGE SCALE COULDN'T BE WORSE, HE FACES ADDED FRUSTRATIONS FROM ANACHROUS LEGAL REQUIRMENTS THAT GOVERNMENT MUST DEMONSTRATE IT IS OBTAINING BEST TERMS COMPETITIVELY AVAILABE, WHICH IN TURN COMPLICATES GETTING BEST TERMS. JULIANTO NAMED ONE EACH FRENCH, US AND US MERCHANT/INVESTMENT BANKS WHICH HE HOPES GOI CAN EMPLOY AS ITS AGENT TO OBTAIN BEST CREDIT TERMS AND TO SO CERTIFY TO LEGISLATURE. WHILE APPROVAL AND TIME TABLE IS UNAVOIDABLE SINCE PRESENT ARRANGEMENTS SELF-DEFEATING.

H. DOMSAT: LATEST WORD FROM GOI OFFICIALS IN US INDICATES THAT PRICE TAG MAY NOW BE UP TO \$130 MILLION FROM ORIGINAL \$90. JULIANTO UNCLEAR WHETHER EXIM AUTHORIZATION PROVIDES FLEXIBILITY FOR ADJUSTMENT OF ITS 40 PCT PARTICIPATION TO HIGHER PROJECT COST.

3. SINCE EARLIEST DISCUSSIONS BETWEEN GOI AND EXIMBANK OFFICIALS, OUR CONTACTS WITH SALEH AFIFF, JULIANTO AND OTHER TOP GOI PLANNERS MAKE CLEAR THAT GOI HAS CONSIDERABLY EXPANDED ITS HORIZONS AND ACCELERATED ITS TIME TABLE IN VARIOUS SECTORS, AS IT HAS RECOGNIZED ITS IMPROVED POTENTIAL FOR FOREIGN EXPORT CREDITS AND FOR SELF-FINANCING WITH OWN FX. WE JUDGE THAT LATER PHASES OF ROAD, TIDELANDS, SUGAR, POWER AND OTHER SECTORS WHICH IT ORIGINALLY CONTEMPLATED HOLDING FOR SUBSEQUENT US EXIMBANK FUNDING HAVE NOW BEEN ACCELERATED FOR EXPLORATION WITH OTHER COUNTRIES, PARTICULARLY WHERE DECISIONS ON EXIM CREDITS REMAINED UNCERTAIN. THIS PARTICULARLY EVIDENT IN LIMITED OFFICIAL USE

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RECENT CONVERSATIONS BETWEEN COMMECIAL COUNSELOR AND SALEH AFIFF. SEPTTEL ITEMIZES RECENT TENDER AND FINANCING ACTIONS BY GOI WHICH ARE EXPLAINABLE IN THAT CONTEXT. TOUSSAINT. TOUSSAINT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974JAKART15001
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740362-0870
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741237/aaaabfty.tel
Line Count: 221
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 74 JAKARTA 15002, 74 JAKARTA 15003
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 06 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 MAY 2002 by boyleja>; APPROVED <27 MAR 2003 by CunninFX>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: STATUS OF PENDING EXIM MATTERS
TAGS: BEXP, ID, XMB
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005